

Congress of the United States
Washington, DC 20510

October 1, 2018

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The Honorable Ajit Pai
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Dear Chairman Pai:

We write to express support for prompt action to eliminate the punitive “rate floor” policy by which the Federal Communications Commission (FCC) effectively compels increases in local telephone rates for consumers in certain rural areas of the United States, which includes areas of our state of Arkansas. In 2011, the FCC adopted this policy, and it has been subject to several reconsideration petitions over the years as new facts emerged about its harmful impacts. Currently, this policy is frozen due to an ongoing rulemaking proceeding by the FCC in which the record closed nearly one year ago. This policy will take effect again next year, however, if the FCC does not act to remedy concerns with respect to this policy once and for all.

Although this policy was initially aimed at addressing concerns that consumers across the country should not subsidize unreasonably low rates for local telephone service in rural areas, this policy has long since outlived its utility and that initial purpose. Rather than aiming for “reasonably comparable” rates as required by law, the rate floor was set at the exact urban average rate nationwide, which means that in many urban areas where there may be tens of thousands or even millions of customers within a local calling area, many urban customers are paying less for basic telephone service than the rural consumer who can call perhaps only a few thousand customers locally. Over time, as predicted by many stakeholders, the rate floor has escalated rapidly, to the point now where it would be in excess of twenty-five dollars but for the current freeze, which is more than fifteen dollars above where the rate floor started only seven years ago, and more than seven dollars above the eighteen-dollar level at which it was frozen last year.

Multiple stakeholders have raised concerns with respect to this policy’s implications for the affordability of basic services and the statutory mission of universal service. We join these groups in urging the FCC to quickly address within the next several months the concerns raised regarding the rate floor. It is imperative that the FCC act quickly on the pending rulemaking because the process needed to implement the next set of rate increases could commence in some states as soon as January 2019.

We are grateful for your continued commitment to universal service, and your willingness to consider measures to promote the availability and affordability of communications in rural Arkansas as well as throughout rural America.


Sincerely,



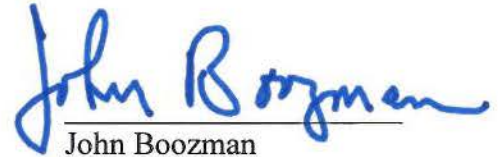
Tom Cotton
United States Senator



Rick Crawford
Member of Congress



Steve Womack
Member of Congress



John Boozman
United States Senator



French Hill
Member of Congress



Bruce Westerman
Member of Congress



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

December 28, 2018

The Honorable Tom Cotton
United States Senate
124 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Cotton:

Thank you for your letter on the “rate floor” rule in the Universal Service Fund’s high-cost program. I share your concerns regarding the effect of the rate floor on rural America, including in Arkansas. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

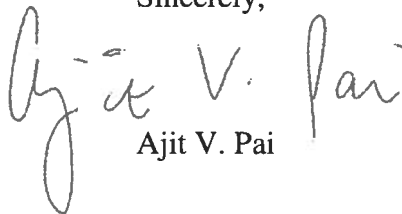
In connection with universal service reforms in 2011 (before I joined the Commission), the FCC required companies that received high-cost support from the universal service program to impose minimum monthly rates for telephone service. Carriers that do not charge their customers at least the minimum amount are penalized with a loss of universal service funding. The rationale then was that the law calls for rates to be “reasonably comparable” and that customers needed to pay a certain minimum rate to make sure that subsidies weren’t being wasted.

The problem is the rate floor now forces many rural customers to pay higher rates than some of their urban counterparts, including those in Washington, D.C. A wide array of stakeholders, ranging from the AARP to the National Tribal Telecommunications Association to small, rural telephone companies, have raised significant and legitimate concerns that the rate floor has made basic voice service less affordable in some rural areas, limited consumer choice, and slowed broadband deployment. Mandating higher rates under these circumstances seems inconsistent with the direction of section 254(b) of the Communications Act to advance universal service in rural, insular, and high-cost areas of the country while ensuring that rates are just, reasonable, and affordable.

As you know, the rate floor was scheduled to rise to \$20 on July 1, 2017, and to \$22 on July 1, 2018. To prevent unjustified rate increases in rural America, the Commission took action in May 2017 to freeze the rate floor at the 2016 minimum rate of \$18 per month until July 2019. The Commission also adopted a Notice of Proposed Rulemaking seeking comment on whether the Commission should eliminate the rate floor entirely. Commission staff are now carefully reviewing the record, and I plan for the Commission to take action to protect rural Americans from unjustified, government-mandated rate increases in the coming months.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,


Ajit V. Pai



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

December 28, 2018

The Honorable John Boozman
United States Senate
141 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Boozman:

Thank you for your letter on the “rate floor” rule in the Universal Service Fund’s high-cost program. I share your concerns regarding the effect of the rate floor on rural America, including in Arkansas. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

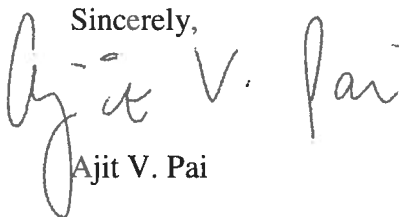
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FEDERAL COMMUNICATIONS COMMISSION
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OFFICE OF
THE CHAIRMAN

December 28, 2018

The Honorable Rick Crawford
U.S. House of Representatives
2422 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Crawford:

Thank you for your letter on the “rate floor” rule in the Universal Service Fund’s high-cost program. I share your concerns regarding the effect of the rate floor on rural America, including in Arkansas. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

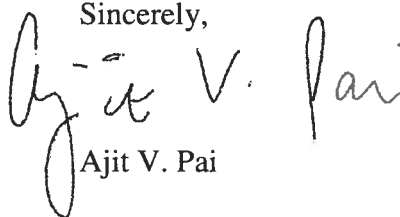
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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

December 28, 2018

The Honorable French Hill
U.S. House of Representatives
1229 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Hill:

Thank you for your letter on the “rate floor” rule in the Universal Service Fund’s high-cost program. I share your concerns regarding the effect of the rate floor on rural America, including in Arkansas. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

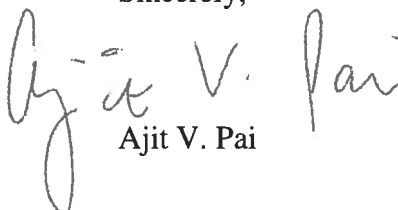
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OFFICE OF
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December 28, 2018

The Honorable Steve Womack
U.S. House of Representatives
2412 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Womack:

Thank you for your letter on the “rate floor” rule in the Universal Service Fund’s high-cost program. I share your concerns regarding the effect of the rate floor on rural America, including in Arkansas. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

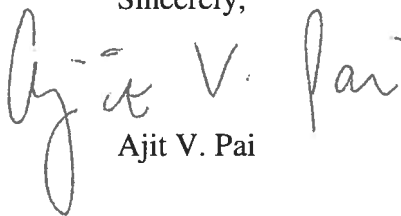
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OFFICE OF
THE CHAIRMAN

December 28, 2018

The Honorable Bruce Westerman
U.S. House of Representatives
130 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Westerman:

Thank you for your letter on the “rate floor” rule in the Universal Service Fund’s high-cost program. I share your concerns regarding the effect of the rate floor on rural America, including in Arkansas. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

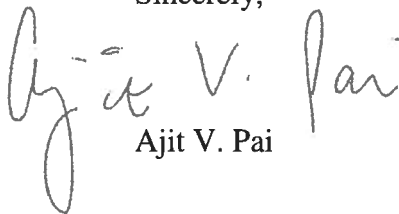
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